

Mo
AUD 1:
988
#2201-R 352.17
M 672 AMARGARET
KELLY
C.P.A.

NEWS

MISSOURI
STATE
AUDITOR

Post Office Box 869

ST. LOUIS COUNTY LIBRARY
MISSOURI DEPOSITORY

Jefferson City, Missouri 65102

FOR IMMEDIATE RELEASE

OCT 9 - 1989

DATE: September 26, 1989

Kelly issues report
on 1988 audits; says
nearly \$50 million could
have been saved, earned or
available for use to state

CONTACT: Bob Bax
Public Affairs Officer
314/751-5313

JEFFERSON CITY -- Audits of state agencies last year show that nearly \$50 million should have been saved, earned or made available for use to the state, State Auditor Margaret Kelly said today.

Mrs. Kelly issued her annual report on the 165 audits delivered by her office in 1988. The number of audits is the most ever issued in a year by the state auditor, since the office began issuing certified reports in 1975.

In audits of state agencies, Mrs. Kelly reported \$49,706,496 which should have been saved, earned or made available to the state. In addition, the audits reported another \$14,299,343 which were misused or improperly spent.

An example of potential savings reported by the state auditor is a finding that a state agency could have saved \$155,000 if it had purchased outright, rather than lease-purchased a new telephone system. The audit showed no cost-benefit study was done. An example of money improperly spent is a finding that a state agency spent \$20,000 for services, without requesting bids. Formal bidding is necessary to ensure the agency is obtaining the best service at the lowest cost.

The 165 audits issued in 1988 included 70 state audits; 55 county audits; 24 petition audits; eight special review audits; and eight special county audits.

(over)

County and petition audits delivered by Mrs. Kelly in 1988 reported \$10,587,842 in spending which was not in accordance with laws and \$381,517 in excessive property taxes collected.

The annual report also includes some significant audit findings that are not measurable in dollar impact.

"We have many important audit findings and recommendations that can't be assigned a dollar value," Mrs. Kelly said. "But where we can assign values, we have done so in order to give the public and government officials an overview of the impact in dollars and cents of audits of the state and local governments in Missouri."

Copies of the annual report are available from the State Auditor's Office, P.O. 869, Jefferson City, Mo., 65102. Phone 314/751-4213.

###

**OFFICES OF THE
STATE AUDITOR OF MISSOURI
JEFFERSON CITY**

**ANNUAL REPORT OF THE STATE AUDITOR
YEAR ENDED DECEMBER 31, 1988**

MARGARET KELLY, CPA



11370103



STATE AUDITOR OF MISSOURI

JEFFERSON CITY, MISSOURI 65102

MARGARET KELLY, CPA
STATE AUDITOR

(314) 751-4824

The People of Missouri
Governor John Ashcroft
and General Assembly of Missouri

Citizens of Missouri:

It is my pleasure to present to you the annual report of the State Auditor's Office for 1988. This report contains a listing of the 165 state and local government audit reports issued during the year. The number of audits is the most ever issued in a year by the state auditor since the office began issuing certified reports in 1975.

This report includes a listing of some of the major audit findings in those reports. In audits of state agencies alone, \$49,706,496 is reported which should have been saved, earned, or made available to the state. The audits reported another \$14,299,343 which had been misused or improperly spent.

Audits of counties and petition audits of local political subdivisions reported \$10,587,842 in disbursements that were not in accordance with laws.

The staff of the State Auditor's Office, to whom I am deeply grateful, joins me in expressing appreciation to the state and local officials who have worked with us in taking a business management approach to government operations in Missouri.

A handwritten signature in cursive script that reads "Margaret Kelly".

Margaret Kelly, CPA
State Auditor



The Missouri State Auditor's Office

The State Auditor's Office is Missouri's independent "watchdog" agency, charged with auditing all state agencies, boards and commissions and the state's third- and fourth-class counties. The state auditor may also be called on to audit local units of government by citizen petition. Audits are performed to determine if tax dollars are being spent efficiently, economically and legally, and to determine how well governmental units and agencies protect against fraud and abuse of the public funds under their control. Approximately 200 state agencies and programs, the state's circuit court system, and 94 counties that do not have county auditors must be audited by the state auditor regularly. Approximately 20 audits of local government entities, petitioned by local voters, are performed each year.

In addition to fulfilling the primary auditing duties of the office, the state auditor is charged with the design of accounting systems for state and local governments, approval of depositaries selected by the state treasurer and service as a member of the Board of Fund Commissioners and the State Records Commission. The state auditor also examines and registers all general obligation bonds issued by political subdivisions of the state to ensure that each one complies with state law, and reviews all property tax rates set by local political subdivisions.

The powers of the state auditor are constitutional, derived from Article IV, Section 13. Legal duties are detailed in Chapter 29 of the state statutes. Prior to the 1945 Constitution, the office held much broader powers, performing functions now controlled by the Department of Revenue and Office of Administration, in addition to post-audit duties.

Office Organization

The deputy state auditor works with the state auditor in developing office policies, supervising special projects, and consulting with the various directors concerning the day-to-day operations of the office. Four directors aid the state auditor; three in charge of audit operations and one in charge of administration. The director of administration works with areas such as personnel recruiting, budget preparation and staff assignment. The audit directors supervise the work of audit managers in charge of auditing various aspects of government operations or government agencies and units, and review audit reports before the audits are delivered to the state auditor for final review and approval. One audit director oversees state agency audits, while a second directs audits of counties and other local governments. A third director oversees audit quality control. In addition to coordinating audits, audit managers also track changes in policies and laws affecting the agencies or areas of government for which they are responsible so the state auditor's office can revise audit plans or priorities as needed to ensure compliance.

Individual audits are supervised by an auditor-in-charge, who normally is a senior auditor. Audit fieldwork is performed by senior auditors, semi-seniors and audit assistants.

Approximately 165 people are employed by the State Auditor's Office. Approximately 135 serve on the auditing staff. CPAs make up nearly 60 percent of the audit staff. That figure represents a marked increase from earlier years. By comparison, in 1974 only about 10 percent of the staff were CPAs.

The office hires only degreed accountants as auditors, recruiting on the campuses of Missouri colleges and universities. More than 90 percent of the staff are graduates of Missouri colleges and universities. Most are native Missourians. Audit staff members are hired on the basis of professional and academic qualifications.

Types Of Audits

The State Auditor's Office performs financial and compliance audits. Financial records of auditees are examined to determine how the funds under the auditee's control were actually recorded and spent. The systems and controls the auditee uses to protect funds and property against fraud, waste and abuse are checked. The auditee's compliance with constitutional provisions, laws, legislative appropriation levels and administrative rules is also reviewed.

Audits are conducted in accordance with generally accepted government auditing standards. Completed audits contain a formal opinion from the state auditor regarding the fair presentation of financial statements. A management advisory report listing any management weaknesses disclosed during the audit is also included. Findings and recommendations in the management advisory report are reviewed with the auditee at an exit meeting prior to the release of the audit so that responses from the auditee to the recommendations may be printed in the final report.

The state auditor performs special reviews and audits of selected programs or agencies, when needed.

Following a 1983 attorney general's opinion, the State Auditor's Office assumed responsibility for auditing the circuit court systems of the state's 20 first- and second-class counties, the circuit courts of the city of St. Louis and approximately 400 municipal divisions. This broadened the duties of the office already charged with auditing the circuit courts of Missouri's other 94 counties.

Citizen Awareness Program

Information from citizens, legislators and government employees aids the state auditor when performing special reviews and audits.

Citizens are urged to contact the state auditor if they have information they feel would be useful to auditors performing the audits. All sources of information are kept confidential.

The state auditor works closely with other audit agencies and offices at the local, state and national level. This is done to avoid duplication of effort in the audits of programs which may receive funding from several sources.

Public Information

All audit reports produced by the State Auditor's Office are public documents after the opinion letter has been signed by the state auditor. Reports dealing with state agencies are provided to the press corps covering the state Capitol and to any regional or local newspaper or broadcasting station requesting a copy. Audits dealing with county or local government are delivered to the media in that area. Reports are also delivered to the Missouri State Library and are available through the state's library system. Citizens may request copies of any audit report by writing P.O. Box 869, Jefferson City, Mo., 65102, or calling (314)/751-4213.

OFFICE OF STATE AUDITOR
AUDIT REPORTS DELIVERED
JANUARY 1, 1988, THROUGH DECEMBER 31, 1988

Report Number	Auditee	Date Delivered	Audit Period
88-01	Taney County	01-07-88	12-31-86 (2Y)
88-02	Johnson County Circuit Court	01-11-88	12-31-86 (2Y)
88-03	Cape Girardeau County Circuit Court	01-12-88	12-31-86 (2Y)
88-04	Marion County	01-12-88	12-31-85 (2Y)
88-05	Western Missouri Mental Health Center	01-13-88	06-30-86 (2Y)
88-06	Delinquent Taxes Bureau	01-13-88	06-30-86 (2Y)
88-07	Stone County	01-14-88	12-31-86 (2Y)
88-08	Fifteenth Judicial Circuit - Municipal Divisions	01-14-88	1986 (3Y)
88-09	Central Missouri Regional Center	01-13-88	06-30-86 (3Y)
88-10	East Carter County R-2 School District	01-18-88	06-30-86 (1Y)
88-11	Benton County	01-18-88	12-31-86 (2Y)
88-12	Laclede County	01-20-88	12-31-86 (2Y)
88-13	City of Buffalo	01-25-88	09-30-86 (1Y)
88-14	Webster County	01-26-88	12-31-85 (2Y)
88-15	Saline County Circuit Court	01-26-88	12-31-86 (2Y)
88-16	Division of Insurance	01-28-88	06-30-86 (2Y)
88-17	Division of Professional Registration, Administrative Section	01-28-88	06-30-86 (3Y)
88-18	Joplin Regional Center	01-29-88	06-30-86 (3Y)
88-19	State Treasurer's Office	02-01-88	06-30-87 (1Y)
88-20	Higginsville Habilitation Center	02-01-88	06-30-86 (2Y)
88-21	Lincoln County	02-08-88	12-31-86 (2Y)
88-22	Audrain County	02-08-88	12-31-86 (2Y)
88-23	Holt County	02-09-88	12-31-86 (2Y)
88-24	Gentry County	02-09-88	12-31-86 (3Y)
88-25	City of Cooter	02-16-88	03-31-87 (1Y)
88-26	Miller County	02-17-88	12-31-86 (2Y)
88-27	Montgomery County	02-17-88	12-31-86 (2Y)
88-28	Adair County	02-18-88	12-31-86 (2Y)
88-29	State School Moneys Fund, et al.	02-19-88	06-30-87 (1Y)
88-30	Polk County	02-23-88	12-31-86 (2Y)
88-31	Marshall Habilitation Center	02-24-88	06-30-86 (2Y)
88-32	Clinton County	02-25-88	12-31-86 (2Y)
88-33	Carroll County	02-26-88	12-31-86 (2Y)
88-34	St. Louis County Assessor	02-26-88	N/A
88-35	Department of Higher Education	02-29-88	06-30-86 (2Y)
88-36	Department of Agriculture	02-29-88	06-30-86 (3Y)
88-37	Lewis County	02-29-88	12-31-86 (2Y)
88-38	Wright County	03-15-88	12-31-86 (2Y)
88-39	Pike County	03-16-88	12-31-86 (2Y)
88-40	Hickory County	03-16-88	12-31-86 (2Y)
88-41	Shelby County	03-17-88	12-31-86 (2Y)
88-42	Carter County	03-17-88	12-31-86 (2Y)
88-43	Special Review of Linn County Sheriff	03-21-88	1984-1987

Report Number	Auditee	Date Delivered	Audit Period
88-44	32nd Judicial Circuit (City of Cape Girardeau) Municipal Division	03-22-88	06-30-87 (3Y)
88-45	Department of Elementary and Secondary Education	03-22-88	06-30-86 (2Y)
88-46	Sikeston Regional Center	03-25-88	06-30-86 (2Y)
88-47	Cedar County	03-28-88	12-31-86 (2Y)
88-48	Monroe County	03-28-88	12-31-86 (2Y)
88-49	Division of Employment Security	03-28-88	06-30-86 (2Y)
88-50	Atchison County	03-28-88	12-31-86 (2Y)
88-51	Department of Natural Resources	03-29-88	06-30-86 (2Y)
88-52	Department of Natural Resources	03-29-88	06-30-87 (1Y)
88-53	Morgan County	03-29-88	12-31-86 (2Y)
88-54	Macon County	03-30-88	12-31-86 (2Y)
88-55	Division of Family Services	03-30-88	06-30-85 (2Y)
88-56	Grundy County	03-31-88	12-31-86 (2Y)
88-57	State Agency for Surplus Property	03-31-88	06-30-87 (1Y)
88-58	Review of Independent Audits of Fire Protection Districts in St. Louis County	04-05-88	12-31-86 (1Y)
88-59	DeKalb County	04-06-88	12-31-86 (2Y)
88-60	Ozark County	04-07-88	12-31-86 (2Y)
88-61	Department of Mental Health, Office of Director	04-13-88	06-30-85 (2Y)
88-62	City of St. Louis, Sheriff	04-14-88	04-30-87 (1Y)
88-63	Bollinger County	04-14-88	12-31-86 (2Y)
88-64	11th Judicial Circuit	04-15-88	1986 (3Y)
88-65	Department of Highway and Transportation	04-18-88	06-30-86 (1Y)
88-66	Livingston County	04-20-88	12-31-86 (2Y)
88-67	Butler County	04-22-88	12-31-86 (2Y)
88-68	Office of Lieutenant Governor	04-26-88	01-15-85/06-30-87
88-69	Harrison County	04-26-88	12-31-86 (3Y)
88-70	Pemiscot County	04-26-88	12-31-86 (2Y)
88-71	Douglas County	04-29-88	12-31-86 (2Y)
88-72	Lawrence County	05-05-88	12-31-86 (2Y)
88-73	32nd Judicial Circuit- Municipals	05-05-88	1987 (3Y)
88-74	Barton County Collector	05-05-88	03-01-86/09-25-87
88-75	Sales and Use Tax	05-16-88	06-30-87 (3Y)
88-76	Local Sales Tax	05-16-88	06-30-87 (3Y)
88-77	State Sales and Use Taxes and Local Sales Tax Management Advisory Report	05-16-88	06-30-87 (3Y)
88-78	DMH-Special Report - Preferential Treatment to DMH Official	05-19-88	N/A
88-79	Division of Community and Economic Development	05-25-88	06-30-86 (2Y)
88-80	Board of Education of the City of St. Louis	05-25-88	06-30-86 (1Y)
88-81	St. Joseph School District	05-31-88	06-30-87 (1Y)
88-82	Osage County	05-31-88	12-31-86 (2Y)
88-83	City of Newburg	06-06-88	06-30-87 (1Y)
88-84	W-2s	06-08-88	12-31-87 (1Y)
88-85	Office of Secretary of State	06-10-88	01-14-85/06-30-87
88-86	Village of Table Rock	06-13-88	06-30-87 (1Y)

Report Number	Auditee	Date Delivered	Audit Period
88-87	Missouri State Highway Patrol	06-15-88	06-30-86 (3Y)
88-88	City of Lake Ozark	06-23-88	12-31-86 (1Y)
88-89	Phelps County	06-24-88	12-31-86 (2Y)
88-90	Hancock Amendment	06-24-88	06-30-87 (1Y)
88-91	Texas County	06-27-88	12-31-86 (2Y)
88-92	Crawford County	06-27-88	12-31-86 (2Y)
88-93	Dunklin County	06-28-88	12-31-86 (2Y)
88-94	Iron County	06-28-88	12-31-86 (2Y)
88-95	Christian County	06-29-88	12-31-86 (2Y)
88-96A	State of Missouri General Purpose Financial Statements	06-30-88	06-30-87 (1Y)
88-96B	State of Missouri General Purpose Financial Statements Management Advisory Report	06-30-88	06-30-87 (1Y)
88-97	Statewide Single Audit	06-30-88	06-30-88 (2Y)
88-98	State Milk Board	07-06-88	06-30-87 (1Y)
88-99	21st Judicial Circuit - Municipals No. 1	07-06-88	12-31-86 (3Y)
88-100	State Office Buildings	07-07-88	06-30-87 (2Y)
88-101	Office of Governor	07-07-88	06-30-87 (3Y)
88-102	City of California	07-11-88	03-31-87 (1Y)
88-103	Special Review of the County Collector of Newton County, Missouri	07-13-88	N/A
88-104	City of Plattsburg	07-18-88	06-30-87 (1Y)
88-105	Special Review of St. Louis Retirement Systems	07-28-88	N/A
88-106	Special Review of Desegregation Payments to St. Louis City and County School Districts	07-29-88	06-30-87 (1Y)
88-107	Phelps County Treasurer	07-29-88	01-01-87/03-31-88
88-108	Reynolds County	08-05-88	12-31-86 (2Y)
88-109	Division of Child Support Enforcement	08-10-88	06-30-87 (2Y)
88-110	Drivers License Bureau	08-12-88	06-30-87 (3Y)
88-111	Bellefontaine Habilitation Center	08-16-88	06-30-87 (2Y)
88-112	Attorney General	08-16-88	06-30-87 (3Y)
88-113	Office of Public Counsel	08-18-88	06-30-87 (2Y)
88-114	St. Louis Developmental Disabilities Treatment Center	08-19-88	06-30-87 (2Y)
88-115	County Aggregate Report	08-22-88	12-31-87 (4Y)
88-116	Jefferson County Circuit Court	08-23-88	12-31-87 (2Y)
88-117	Springfield Regional Center	08-25-88	06-30-87 (2Y)
88-118	35th Judicial Circuit - Municipal Division	08-26-88	Various (3Y)
88-119	City of Cowgill	08-29-88	06-30-87 (1Y)
88-120	Special Review of 35th Judicial Circuit, Division II (Stoddard County)	08-29-88	01-01-86/ 07-10-88
88-121	7th Judicial Circuit-Municipal Divisions	08-29-88	1987 (3Y)
88-122	Howard County	08-29-88	12-31-87 (2Y)
88-123	Dallas County	08-30-88	12-31-87 (2Y)
88-124	New Madrid County	08-30-88	12-31-86 (2Y)
88-125	Review of 1987 Property Tax Rates	08-31-88	1987
88-126	Metropolitan St. Louis Sewer District	08-31-88	06-30-86 (1Y)
88-127	Department of Health	09-01-88	06-30-87 (2Y)
88-128	Public Defender Commission	09-06-88	06-30-87 (2Y)
88-129	Division of Tourism	09-14-88	06-30-87 (2Y)

Report Number	Auditee	Date Delivered	Audit Period
88-130	Committee on Legislative Research	09-15-88	06-30-87 (2Y)
88-131	Mississippi County	09-16-88	12-31-86 (2Y)
88-132	Division of Family Services	09-22-88	06-30-87 (2Y)
88-133	Departmental Services	09-23-88	06-30-87 (2Y)
88-134	21st Judicial Circuit, No. 2	09-26-88	Various
88-135	Missouri Horse Racing Commission	09-27-88	03-27-85/06-30-87
88-136	St. Louis, Department of Parks, Recreation, and Forestry	09-28-88	04-30-87 (1Y)
88-137	House of Representatives	09-28-88	06-30-87 (2Y)
88-138	St. Louis, Department of Personnel	09-29-88	04-30-87 (1Y)
88-139	Kansas City Regional Center	10-04-88	06-30-87 (2Y)
88-140	Farmington Fee Office	10-05-88	12-01-85/10-31-87
88-141	Carter County Collector	10-13-88	03-01-87/12-31-87
88-142	Ralls County	10-13-88	12-31-87 (2Y)
88-143	Caldwell County	10-27-88	12-31-87 (2Y)
88-144	Mid-Missouri Mental Health Center	10-28-88	06-30-87 (2Y)
88-145	Kansas City Desegregation	10-31-88	06-30-87 (1Y)
88-146	Division of Aging	11-16-88	06-30-87 (2Y)
88-147	Department of Mental Health, Office of Director	11-21-88	06-30-87 (2Y)
88-148	City of New Florence	11-22-88	06-30-87 (1Y)
88-149	St. Louis, Department of Streets	11-29-88	04-30-87 (1Y)
88-150	St. Louis, Collector of Revenue	11-29-88	03-01-87 (1Y)
88-151	Missouri Guaranteed Student Loan Program	12-01-88	06-30-88 (1Y)
88-152	Newton County	12-01-88	12-31-87 (2Y)
88-153	Clark County	12-01-88	12-31-87 (2Y)
88-154	Senate	12-06-88	06-30-87 (2Y)
88-155	St. Louis, Office of Comptroller	12-08-88	04-30-87 (1Y)
88-156	City of Granby	12-12-88	06-30-88 (1Y)
88-157	St. Louis, Treasurer, Miscellaneous Account	12-12-88	August 1986/ June 1988
88-158	St. Louis, Office of the Assessor	12-15-88	04-30-87 (1Y)
88-159	Division of Job Development and Training	12-16-88	06-30-87 (2Y)
88-160	City of Curryville	12-19-88	12-31-87 (1Y)
88-161	St. Louis, Vital Records Section	12-19-88	04-30-87 (1Y)
88-162	Bates County	12-19-88	12-31-87 (2Y)
88-163	7th Judicial Circuit	12-21-88	12-31-87 (2Y)
88-164	Ste. Genevieve County	12-22-88	12-31-87 (2Y)
88-165	Division of Medical Services	12-29-88	06-30-87 (2Y)

NOTE: (1Y) - 1 year ended
(2Y) - 2 years ended
(3Y) - 3 years ended

Audit Savings & Misuse Report
State Agency Audits Delivered in Calendar Year 1988

	Should Have Been Saved, Earned or Available for Use	Misused or Improperly Spent
1. Seventeenth Judicial Circuit	\$157	
Seventeenth Judicial Circuit	\$600	
Seventeenth Judicial Circuit	\$4,000	
Seventeenth Judicial Circuit		\$1,784
2. Thirty-second Judicial Circuit, Cape Girardeau County		\$429
3. Western Missouri		
Mental Health Center		\$6,685,223
Mental Health Center	\$30,000	
Mental Health Center	\$485,607	
Mental Health Center	\$155,435	
Mental Health Center	\$1,505	
Mental Health Center	\$10,000	
Mental Health Center	\$4,215	
Mental Health Center	\$51,118	
Mental Health Center	\$45,355	
Mental Health Center	\$141,887	
Mental Health Center		\$26,220
Mental Health Center	\$609,600	
Mental Health Center	\$630	
4. Department of Revenue		
Division of Taxation		
Delinquent Tax Bureau	\$135,000	
5. Fifteenth Judicial Circuit		
Municipal Divisions		\$3,700
Municipal Divisions		\$1,121
Municipal Divisions	\$103	
Municipal Divisions		\$64
Municipal Divisions		\$3,184
6. DMH, Central Missouri Regional Center, Developmentally Disabled	\$21,246	
Regional Center	\$1,100	
Regional Center	\$4,376	
Regional Center	\$35,197	
Regional Center		\$1,023
Regional Center	\$1,086	
Regional Center	\$15,136	
7. Fifteenth Judicial Circuit, Saline County		\$487
Fifteenth Judicial Circuit, Saline County		\$399
8. Division of Professional Registration	\$202,715	
Professional Registration		\$461,652
Professional Registration	\$1,632	

Audit Savings & Misuse Report
State Agency Audits Delivered in Calendar Year 1988

	Should Have Been Saved, Earned or Available for Use	Misused or Improperly Spent
	<hr/>	<hr/>
Professional Registration		\$10,000
9. Jopline Mental Health		
Regional Center	\$280,000	
Regional Center		\$6,804
10. Higginsville Habilitation Center	\$285,000	
Higginsville Habilitation Center	\$8,750	
Higginsville Habilitation Center	\$19,631	
Higginsville Habilitation Center	\$140,000	
Higginsville Habilitation Center		\$220
Higginsville Habilitation Center		\$51,625
Higginsville Habilitation Center	\$15,000	
Higginsville Habilitation Center	\$16,777	
Higginsville Habilitation Center	\$786	
11. Department of Elementary and Secondary Education, State School Moneys Fund		\$122,255
12. Department of Mental Health		
Marshall Habilitation Center	\$9,000,000	
Marshall Habilitation Center	\$46,488	
Marshall Habilitation Center	\$73,460	
Marshall Habilitation Center		\$13,275
Marshall Habilitation Center	\$33,850	
13. Department of Higher Education		\$153,567
14. Department of Agriculture		\$52,380
Department of Agriculture	\$7,041	
Department of Agriculture	\$1,500	
Department of Agriculture	\$122,238	
Department of Agriculture		\$1,723
Department of Agriculture	\$324,330	
Department of Agriculture		\$756,081
Department of Agriculture	\$10,741	
Department of Agriculture	\$2,916	
15. Thirty-Second Judicial Circuit, Cape Girardeau Municipal Court	\$63,913	
16. Department of Elementary and Secondary Education (DESE) DESE		\$1,362,159 \$61,128
17. Department of Mental Health		
Sikeston Regional Center	\$192,720	
Sikeston Regional Center	\$1,117,005	
Sikeston regional Center	\$521,044	
Sikeston Regional Center	\$150,000	
Sikeston Regional Center	\$39,000	
Sikeston Regional Center		\$16,860
18. Department of Labor and		

Audit Savings & Misuse Report
State Agency Audits Delivered in Calendar Year 1988

	Should Have Been Saved, Earned or Available for Use	Misused or Improperly Spent
Industrial Relations, Division of Employment Security		\$143,923
Division of Employment Security		\$4,755
Division of Employment Security	\$540	
Division of Employment Security	\$1,151,479	
19. Department of Natural Resources		\$240,977
Department of Natural Resources		\$125,485
Department of Natural Resources		\$10,000
Department of Natural Resources	\$3,500	
Department of Natural Resources	\$30,500	
Department of Natural Resources	\$2,075	
20. Department of Social Services		
Division of Family Services	\$256,755	
Division of Family Services	\$183,818	
Division of Family Services	\$8,819	
Division of Family Services	\$5,300,000	
21. Department of Mental Health, Office of the Director		\$190,000
DMH, Office of the Director	\$6,000,000	
DMH, Office of the Director	\$18,245	
DMH, Office of the Director	\$1,542,520	
DMH, Office of the Director	\$1,114,269	
DMH, Office of the Director	\$3,593,000	
DMH, Office of the Director		\$119,712
DMH, Office of the Director	\$1,240,179	
22. Eleventh Judicial Circuit, Municipal Divisions	\$1,192	
Municipal Divisions		\$2,000
Municipal Divisions		\$189
Municipal Divisions	\$1,492	
Municipal Divisions		\$226
23. Department of Highway and Transportation	\$942,418	
Highway and Transportation	\$2,452,050	
Highway and Transportation	\$6,054	
Highway and Transportation	\$850,000	
Highway and Transportation	\$12,000	
Highway and Transportation		\$291,043
24. Thirty-second Judicial Circuit, Municipal Divisions		\$275
25. Department of Revenue, Division of Taxation	\$21,119	
Division of Taxation		\$1,926,141
Division of Taxation	\$109,500	
26. Department of Public Safety,		

Audit Savings & Misuse Report
State Agency Audits Delivered in Calendar Year 1988

	Should Have Been Saved, Earned or Available for Use	Misused or Improperly Spent
	<hr/>	<hr/>
Missouri Highway Patrol	\$102,000	
Missouri Highway Patrol	\$35,530	
Missouri Highway Patrol		\$2,590
27. Twenty-first Judicial Circuit,		
Moline Acres Municipal Court		\$646
Municipal Court		\$155
Municipal Court	\$682	
Municipal Court		\$9,010
Municipal Court	\$18,200	
Municipal Division		\$685
28. Board of Public Buildings,		
State Office Building Fund	\$380	
29. Department of Mental Health,		
Bellefontaine Center	\$3,508,000	
Bellefontaine Center		\$59,982
Bellefontaine Center	\$7,000	
Bellefontaine Center		\$4,900
30. Department of Economic Development,		
Office of Public Counsel	\$154	
31. Twenty-third Judicial Circuit,		
Jefferson County Circuit Court	\$94,364	
Jefferson County Circuit Court	\$1,200	
Jefferson County Circuit Court		\$3,622
32. Department of Mental Health,		
Springfield Regional Center	\$100,000	
Springfield Regional Center	\$74,000	
Springfield Regional Center		\$1,911
Springfield Regional Center		\$107
33. Thirty-fifth Judicial Circuit,		
Municipal Divisions		\$520
Municipal Divisions	\$52,103	
Municipal Divisions	\$29,300	
Municipal Divisions	\$6,600	
34. Department of Health	\$33,390	
Department of Health	\$221,047	
35. Public Defender Commission		\$107,444
36. Department of Economic Development,		
Division of Tourism		\$20,546
37. General Assembly		\$9,500
38. Department of Social Services,		
Division of Family Services		\$400,000
Division of Family Services	\$7,023	
Division of Family Services	\$155,000	
39. Department of Social Services,		

Audit Savings & Misuse Report
State Agency Audits Delivered in Calendar Year 1988

	Should Have Been Saved, Earned or Available for Use	Misused or Improperly Spent
	<hr/>	<hr/>
Departmental Administration	\$18,544	
40. Twenty-first Judicial Circuit, Municipal Divisions		\$12,760
41. Missouri Horse Racing Commission	\$10,000	
42. Department of Mental Health, MidMissouri Mental Health Center	\$116,000	
MidMissouri Mental Health Center	\$3,750	
MidMissouri Mental Health Center	\$6,000	
MidMissouri Mental Health Center	\$58,872	
43. Department of Social Services, Division of Aging		\$464,671
44. Department of Mental Health	\$18,140	
Department of Mental Health	\$29,593	
Department of Mental Health	\$4,000,000	
Department of Mental Health	\$1,500,000	
Department of Mental Health	\$30,000	
45. Senate		\$189,869
Senate		\$54,860
46. Division of Job Development	\$18,090	
Division of Job Development	\$5,120	
47. Seventh Judicial Circuit		\$15,060
Seventh Judicial Circuit		\$92,301
Seventh Judicial Circuit		\$115
48. Department of Social Services, Division of Medical Services	\$125,000	
Division of Medical Services	\$50,000	
	-----	-----
TOTAL	<u>\$49,706,496</u>	<u>\$14,299,343</u>

1988 Annual Report
Summary Explanations
State Agency Audits

- 1a. \$157 Seventeenth Judicial Circuit, Johnson County, two years ended December 31, 1986. To ensure receipts and disbursements were properly handled and accurately posted to case fee sheets, and that all liabilities for open cases can be traced to the cash balance, open-items listings should be prepared monthly and reconciled to the cash balance. We were unable to determine whether a \$157 shortage in the child support account occurred during the term of the current or former circuit clerk, but reimbursement of any current shortages should be made to the Child Support Account.
- b. \$600 In February 1987, \$600 of law library books were sold to a local attorney. The sale was not formally authorized by the Presiding Circuit Judge, bids were not solicited, and the court apparently made no attempt to collect the **unreceived proceeds**.
- c. \$4,000 Had the court deposited all funds in an interest-bearing account, the associate division could have earned approximately \$4,000 interest income during the two years ended December 31, 1986.
- d. \$1,784 Overpayments totaling \$1,784 have been disbursed on various cases in excess of the court deposits received on the cases. If it appears unlikely these amounts will be collected, the Court and County Commission should discuss the various alternatives for obtaining reimbursement to the fee account.
2. \$429 Thirty-Second Judicial Circuit, Cape Girardeau County, two years ended December 31, 1986. The Circuit Clerk turned interest income of \$336 and \$93 for the years of 1986 and 1985, respectively, over to the county. These monies, and any future interest earnings on Title IV-D collections, should be paid to the state, as required by the child support enforcement unit.
- 3a. \$6,685,223 Department of Mental Health (DMH), Western Missouri Mental Health Center (WMMHC) and Auxiliary Fund, two years ended June 30, 1986. 1986 appropriations for major building projects included \$760,480 for Kansas City Regional Center building renovations and approximately \$5.9 million to design and construct facilities which will provide care and treatment for only seventy additional clients. These projects should be discontinued until proper needs assessment and cost-benefit studies are done.

- b. \$30,000 Advance payments averaging \$179,000 annually made to a not-for-profit (NFP) foundation for psychiatric services constitute a prohibited interest free loan of public monies. Additionally, the state was deprived of approximately \$30,000 in interest which could have been earned on the payments during the audit period.
- c. \$485,607 WMMHC has made no effort to collect \$304,312 of overpayments to the NFP foundation. Additionally, the state lost \$181,295 in interest which could have been earned on the overpayments.
- d. \$155,435 WMMHC could have saved \$155,435 if it had purchased outright, rather than lease-purchased, a new telephone system. No cost-benefit study was done.
- e. \$1,505 \$1,505 in patient-payable portions of placements costs were not paid from some patient nonappropriated funds (NAFS) accounts for three months during fiscal year 1986 because a new employee who processed the payment forms did not know that patients paid part of the cost. A supervisory review of the payment forms and/or periodic DMH printouts of NAFS balances would have detected these errors since these patients' NAFS accounts increased rapidly due to the omitted payments.
- f. \$10,000 At June 30, 1986, approximately \$10,000 had been overpaid to placement vendors because accounting personnel had not been informed when patients were removed from placement facilities.
- g. \$4,215 Based on a list maintained by the facility, there were 228 property items in storage on December 2, 1986. These items included two institutional coffee makers with original costs of \$1,815 and \$2,400, as well as various items of furniture and equipment. Failure to utilize all available fixed assets increases the possibility unused assets will be lost, stolen, or otherwise misused. Further, failure to properly dispose of unneeded property results in unnecessary storage costs, improper utilization of space, and forces other agencies needing these property items to purchase them from external sources, thereby using tax dollars that may have been saved or spent for other uses.
- h. \$51,118 Two hundred and ten items with an aggregate book value of \$38,412 were removed from the property records because they could not be located after two annual property inventories. Additionally, kitchen equipment with an aggregate original cost of \$12,706 was deleted because investigation revealed a contractor, apparently believing these items to be scrap, removed the equipment while working on a capital improvement project. Allowing the contractor to remove this

equipment violated state surplus property and DMH regulations, and caused the loss of state funds which might have been available from the sale of the used equipment or scrap metal.

- i. \$45,355 Excess general supplies inventory, including a twenty-year supply of twin bed sheets, a thirteen-year supply of enamel paint, and a fifty-one year supply of push brooms, amounting to approximately \$45,355, represented approximately 30 percent of the total inventory. There should be an established policy of declaring unused items as surplus and making them available to other facilities or state agencies that may need the items.
- j. \$141,887 The facility charges no interest on delinquent accounts receivable. With an average of \$394,129 in delinquent accounts during the fiscal years 1985 and 1986, the facility could have realized approximately \$141,887 had the 1.5 percent per month charge that applied to overpayment refunds also been applied to delinquent accounts, assuming all amounts were collected. Not collecting this interest is a violation of Section 630.220, RSMo Supp. 1984.
- k. \$26,220 Placement vendors are often overpaid because retroactive social security administration benefits are paid to the vendor even though state funds had already been used for payment. WMMHC has a practice of allowing vendors to apply overpayments against future billings for placement costs which appears to circumvent the appropriations process and subjects state funds to risk of loss. Total vendor overpayments as of November 1986 amounted to \$26,220.
- l. \$609,600 A projected revenue loss of \$304,800 per year (\$609,600 for the audit period) is occurring as a result of converting a twenty-four bed inpatient unit to an acute day hospital. Acute day hospital rooms are not eligible for medicare and medicaid reimbursements. The facility should conduct a comprehensive detailed cost-benefit study to determine if this program should be continued.
- m. \$630 Based on a review of the Superintendent's expense account, it appears that \$630, or 28 percent, of expenses reimbursed during the audit period were not allowable under state travel regulations.
- 4. \$135,000 Department of Revenue (DOR), Division of Taxation, Delinquent Taxes Bureau (DTB), two years ended June 30, 1986. The DTB is not adequately monitoring the status of bankruptcy account activity including post-petition period partial pay agreements.

One taxpayer in bankruptcy owed the DOR \$135,000. No activity on the case had occurred since May 1, 1985, and on December 16, 1986, (during our audit fieldwork), the DTB requested the status of the account from the court.

- 5a. \$3,700 Fifteenth Judicial Circuit - Municipal Divisions, three years ended 1986. The city of Higginsville Municipal Division had cash bonds on hand totaling \$3,400 which applied to cases dated prior to June 1986. Several are due back to defendants and a follow-up should be performed. A \$300 bond for a case which has been transferred to an associate circuit court should be forwarded to that court.
- b. \$1,121 The city of Marshall Municipal Division ledger showed outstanding bonds which exceeded cash by \$1,121. We were unable to determine whether there is a shortage of cash or whether the bond ledger is in error. The clerk should investigate this apparent shortage.
- c. \$103 The city of Napoleon Municipal Division does not maintain a cash control ledger or listing of cash receipts. We were unable to trace receipts totaling \$103 to deposit in the bank. We could not determine if this money was missing or deposited to another city fund. A cash control ledger or listing of receipts is necessary to ensure all cash receipts have been recorded and transmitted to the city.
- d. \$64 The city of Slater Municipal Division keeps a listing of the bonds and restitution amounts received and disbursed. However, it is not reconciled to the cash balance. At September 30, 1986, cash exceeded open items by \$64. Differences should be investigated and any unidentified amounts turned over to the city.
- e. \$3,184 The city of Waverly keeps a ledger of the bonds received and disbursed. However, it is not reconciled to the cash balance. At June 30, 1986, cash exceeded bonds per the ledger by \$3,184. Differences should be investigated and any unidentified amounts turned over to the city.
- 6a. \$21,246 DMH, Central Missouri Regional Center for the Developmentally Disabled (CMRC) and Auxiliary Fund, three years ended June 30, 1986. CMRC purchases residential care in community-based facilities through community placement (CP) for clients who would otherwise require institutionalization. In 1984, CP funds expended increased by \$14,866 from April to May, and by an additional \$6,380 from May to June. These rates appear to have been increased in an effort to prevent excess CP funds from lapsing as much as to provide more equitable payments to the placement facilities.

- b. \$1,100 It appears that the prevailing attitude among CP facilities visited was to spend clients' excess money so it did not have to be paid to the CMRC to help defray the cost of client care. One CP facility assisted a client in purchasing various furniture items and linens with \$1,100 the client had received in an insurance settlement. Departmentwide policy indicates that a client's account balance should not exceed \$200 except for a stated purpose.
- c. \$4,376 The CMRC overpaid a purchase of service (POS) vendor \$4,376 in fiscal year 1985. A procedure is needed to ensure POS vendor invoices are adequately reviewed before payment.
- d. \$35,197 The CMRC paid a NFP corporation \$28,365 and \$6,832 in fiscal years 1986 and 1985, respectively, for transportation services provided to CP clients. These expenditures represent monies which were needlessly spent considering these services should have been provided as part of the CP contracts.
- e. \$1,023 The facility received \$341 from each of three guardians in June 1986 to purchase life insurance/burial policies for clients. Two of the policies were purchased on October 29, 1986; however, the facility had not yet purchased a policy on behalf of the remaining client as of December 31, 1986. As the custodian of client funds, the facility has a fiduciary responsibility to expend restricted funds as requested on a timely basis.
- f. \$1,086 The facility returned \$1,336 to the mother of a former client who was transferred to another departmental facility. If the CMRC had adequately monitored client account balances, the balance would have been less than \$250, and the excess funds of \$1,086 would have been used to help pay the client's cost of care.
- g. \$15,136 In May 1984, the facility received \$20,144 of client funds due to the forced closing of a CP facility. In July 1986, \$10,330 of the \$20,144 plus \$5,322 accumulated interest was distributed to seventeen of the CMRC's clients. The remaining twenty-two clients to whom monies are due are now at other DMH facilities, deceased, or their whereabouts unknown. The CMRC needs to determine the proper disposition of the remaining monies. Any portion which could be used to defray the applicable client's cost of care should be turned over to the GRF-S.
- 7a. \$487 Fifteenth Judicial Circuit, Saline County, two years ended December 31, 1986. Checks totaling \$487 written on the fee account outstanding more than one year should be

canceled and reissued if the payees can be located. Amounts due to payees not readily located should be turned over to the County Treasurer for deposit in the Unclaimed Fees Fund as provided for in Sections 50.470 through 50.500, RSMo 1986.

- b. \$399 At December 31, 1986, the Law Library Fund had \$399 of invoices which could not be paid. Liabilities should not be incurred unless funds are available to pay them.

- 8a. \$202,715 Department of Economic Development (DED), Division of Professional Registration (DPR) Administrative Section, three years ended June 30, 1986. The agency replaced twenty-five of forty vehicles at a cost of \$202,715 over a period of three years. It appears that many of the vehicles are either underutilized or used primarily for personal reasons. The agency should review and determine vehicle needs and provide them in the most cost-effective manner and should restrict the use of state vehicles to essential state business.

- b. \$461,652 The DPR paid billings from the DED, Management Information Systems during fiscal years 1985 and 1986 of \$199,918 and \$261,734, respectively, without any supporting documentation to allow review for accuracy or reasonableness. Section 620.010.15(4), RSMo 1986, requires the DPR director to establish a system of accounting and budgeting to ensure proper charges are made to the various boards for services rendered to them.

- c. \$1,632 The DPR paid a \$1,632 portion of the February 1986 regular payroll of the Dental Board, violating Section 332.061, RSMo 1986.

- d. \$10,000 Bids were not obtained as required by Section 34.040, RSMo 1986, for \$10,000 of building renovations.

- 9a. \$280,000 DMH, Joplin Regional Center (JRC) for the Developmentally Disabled and Auxiliary Fund, three years ended June 30, 1986. It appears that maintaining an in-house residential unit is an inefficient way to provide respite and short-term care for departmental clients. The total direct cost of operating the eight-bed JRC residential unit in fiscal year 1986 was approximately \$280,000. JRC and DMH should conduct a cost-benefit analysis regarding the feasibility of closing the residential unit and locating clients in placement facilities.

- b. \$6,804 JRC does not reconcile the NAFs records it maintains for the Mental Health Trust Fund (MHTF) to the SAM records. As a result, errors totaling \$6,804 were undetected.

- 10a. \$285,000 DMH, Higginsville Habilitation Center (HHC) and Auxiliary Funds, two years ended June 30, 1986. As a result of two DMH group homes being decertified in January 1985, the state lost approximately \$285,000 in net medicaid revenues from January 1985 to September 1986. Further, we estimate the facility will continue to lose \$300,000 annually as a result of these two homes being decertified. The facility should update client files and seek recertification as soon as possible.
- b. \$8,750 The facility, through the use of a NFP corporation, operates a canteen for the benefit of the employees and clients. While several employees of the canteen are paid from the General Revenue Fund-State (GRF-S), canteen "profits" of \$8,750 were transferred into the MHTF during fiscal years 1985 and 1986. Therefore, the net effect of canteen operations is to divert monies from the GRF-S to the MHTF. The facility should consider the use of volunteers and/or clients to operate the canteen to reduce or eliminate the need for state employees.
- c. \$19,631 The cash balance of the Canteen Fund at June 30, 1986, was \$19,631, which appears to be excessive. Since the canteen has been subsidized over the years through salary expenditures financed by the GRF-S, it appears that a significant amount of the canteen cash balance should be deposited to the credit of the GRF-S. According to Section 630.335, RSMo 1986, ". . . a minimum amount of money necessary to meet cash flow needs and current operating expenses may be kept in . . ." the Canteen Account.
- d. \$140,000 The canteen had total net operating losses of approximately \$140,000 during the five years ended June 30, 1986. It appears the pricing structure needs to be reevaluated and prices need to be set at rates that more closely correlate with the actual cost of providing food items.
- e. \$220 Payments to an audiologist under contract totaled \$10,560 and \$10,400 in fiscal years 1986 and 1985, respectively. It appears the facility is paying an exorbitant amount (computed hourly rates of \$88 and \$80 in fiscal years 1986 and 1985, respectively) for the audiology services. HHC should seek recovery of a \$220 payment to the audiologist for a day in fiscal 1986 billed but not worked, and seek to contract audiology services at a more reasonable rate.
- f. \$51,625 HHC has one staff physician and two outside physicians under contract to provide "on call" coverage. One outside physician was paid \$17,228 and \$13,897 for fiscal

years 1985 and 1986, respectively. When divided by actual hours worked at the facility, these amounts compute to \$795 and \$519 per hour, respectively. The staff physician, who was paid whether or not any time was actually spent at the facility received approximately \$12,500 and \$8,000 for fiscal years 1986 and 1985, respectively, for "on call" compensation. HHC should attempt to obtain these services at a more reasonable rate, and compensate the staff physician only for actual hours worked.

- g. \$15,000 A concerted effort should be made to locate over one hundred property items including phonographs, vacuum cleaners, tape recorders, and audio-visual equipment that are listed on the facility's "ghost file." If the items, which have a total cost of approximately \$15,000, cannot be located, they should be removed from the fixed assets records in compliance with department operating regulations.

- h. \$16,777 Numerous items at the facility, totaling \$16,777, no longer appear to be in use. Failure to utilize all available fixed assets increases the possibility that unused assets will be lost, stolen, or otherwise misused. Further, failure to surplus unneeded property results in unnecessary storage costs, improper utilization of space, and forces other agencies needing these property items to purchase them from external sources, thereby using funds that may have been saved or spent for other purposes.

- i. \$786 The former superintendent regularly drove his personal car when traveling on state business and claimed reimbursement even though state-owned vehicles were generally available. During the last half of fiscal year 1986, these mileage reimbursements amounted to \$786.

- 11. \$122,255 Department of Elementary and Secondary Education (DESE), State School Moneys Fund, Fair Share Fund, School District Trust Fund, and State Public School Fund, year ended June 30, 1987. The State School Moneys Fund should be reimbursed for \$122,255 fringe benefit transfers that should have been paid from the GRF-S. In addition, future transfers for fringe benefits should not be made unless the fund has a corresponding personal service appropriation for the related salaries.

- 12a. \$9,000,000 DMH, Marshall Habilitation Center (MHC) and Auxiliary Funds, two years ended June 30, 1986. Despite MHC's efforts to regain medicare/medicaid eligibility recertification for many of their beds, the net federal reimbursement lost from November 1984 through June 1986 could approximate \$9 million. The MHC should continue to seek certification of all beds. However, any

contemplated capital improvement projects should be evaluated for cost-effectiveness and consistency with the department's facilities master plan.

- b. \$46,448 One hundred ninety-seven items with a cost totaling \$46,448 have been listed as unlocated or missing for over two years. A concerted effort should be made to locate these items. Failing that, the facility should, in compliance with department operating regulations, remove the items from the fixed assets records. This situation could indicate there is a serious theft problem at the facility and the facility should investigate this problem.
- c. \$73,460 Various employees earn "on call" compensation whether or not they actually work at the facility. Physicians were paid \$24,600 and \$22,860 during the fiscal years 1986 and 1985, respectively. Unit directors and staff coordinators account for approximately \$13,000 annually in additional "on call" costs. It is not proper for employees to be compensated for services they have not performed. Furthermore, the effective rate of pay per hour based on hours worked appears to exceed state merit system salary rates, circumventing wage controls and expending more taxpayer dollars than necessary.
- d. \$13,275 MHC paid an outside physician under contract \$6,219 and \$7,056 in fiscal years 1986 and 1985, respectively, to work "on call." We were unable to determine whether this individual's compensation was fair and reasonable as no documentation of actual hours worked was maintained.
- e. \$33,850 MHC had more than a year's supply of several inventory types such as linen, electric, plumbing, refrigeration and clothing with costs totaling \$33,850. Excess inventories, as well as tying up state funds, increase the likelihood of loss due to obsolescence or theft. There should be an established policy of declaring excess items as surplus and making them available to other facilities or state agencies that may need the items.
- 13. \$153,567 Department of Higher Education (DHE), two years ended June 30, 1986. In fiscal years 1986 and 1985, \$10,709 and \$142,858, respectively, were expended without required grantor agency prior approval as required by OMB Circular A-87 or without proper documentation.
- 14a. \$52,380 Department of Agriculture (DOA), three years ended June 30, 1986. Expenditures of \$7,800, \$24,517, and \$20,063 were made in fiscal years 1986, 1985, and 1984, respectively, after the grant expiration date with no documentation that an extension had been granted. Additionally, there was no documentation to support matching costs for all fiscal years.

- b. \$7,041 The DOA has established bank accounts outside the State Treasury for which there is no statutory authority, circumventing the appropriations process and avoiding the expenditure review process of the Office of Administration (OA). Unallowed purchases of alcoholic beverages totaling \$7,041 were made in fiscal years 1986 and 1985.
- c. \$1,500 The DOA inappropriately charged registrants for the 1985 governor's conference a total of \$3,780 in excess of guaranteed room rates to defray room and food costs charged to the organizers and expended \$5,874 of conference monies for purposes not associated with the function. In fiscal year 1986, they paid \$1,500 from state funds to register employees who were working rather than participating at the conference. In this manner, the state effectively subsidized the conference and state funds were diverted to a questionable bank account (see 14e. above).
- d. \$122,238 In cooperation with the Farmer's Home Administration, Agriculture Emergency Fund (AEF) administered a Capital Improvement Loan Program which was discontinued in fiscal year 1979. At June 30, 1986, delinquent loans totaled \$96,705, and eight accounts totaling \$25,533 were in bankruptcy. AEF should establish specific options for repayment of these accounts with repayment schedules that can be met in order to safeguard AEF assets.
- e. \$1,723 The Missouri Farms Program, administered by the DOA, did not use proper bidding procedures for printing and office equipment purchases totaling \$1,723, as required by Section 34.040, RSMo 1986.
- f. \$324,330 The DOA does not, as required by Section 414.051.3., RSMo 1986, set fees for administering the Kerosene and Motor Fuel Inspection Program for the coming calendar year in an amount that will approximate the expenses of the preceding calendar year, and does not monitor program costs to determine if fees are appropriate. Unless fees are set to cover program costs, other state revenues must be used to subsidize the cost of the program. Exclusive of employee fringe benefit costs, prior year program expenses exceeded current receipts by \$160,196, \$125,888, and \$38,246 for fiscal years 1986, 1985, and 1984, respectively.
- g. \$756,081 The DOA does not document information to ensure proper payments to qualifying cattle owners to reimburse them for losses suffered as the result of disposing of diseased cattle. Indemnity payments totaled \$371,423, \$209,953, and \$174,705 for the three years ended June 30, 1986, 1985, and 1984, respectively.

- h. \$10,741 The DOA paid \$3,118, \$3,301, and \$4,322 for outside computer services for the three years ended June 30, 1986, 1985, and 1984, respectively. This cost would be eliminated if DOA used its own computer.
- i. \$2,916 Subscription receipts are insufficient to cover publication costs of daily and weekly market news summaries published by the DOA. For the fiscal years 1986 and 1985, the aggregate short fall was \$2,916. Section 181.100.3, RSMo 1986, requires the recipient of such publications to pay the cost of printing and postage, as determined by the issuing agency.
15. \$63,913 Thirty-Second Judicial Circuit, City of Cape Girardeau Municipal Division, three years ended June 30, 1987. The Court Clerk covered a cumulative shortage of bond monies for the audit period of \$63,913 by not transmitting portions of bonds which were authorized to be applied to fines and costs payable to the city treasury. Also, in some cases, the balance of bonds owed payees after cases were settled was never refunded to them. This shortage had gone undetected due to numerous control weaknesses, including a total lack of segregation of duties, little or no independent review, and a lack of adequate record keeping. The municipal division should obtain legal guidance as to how to gain restitution of the \$63,913.
- 16a. \$1,362,159 DESE, two years ended June 30, 1986. The DESE oversees payments made for desegregation purposes to the St. Louis City School District. Court order was not complied with when the district increased various accounts and line items above the court-approved amount by \$1,362,159 through budget amendments that required DESE's approval but were not sent to DESE or were denied by the DESE.
- b. \$61,128 During fiscal year 1984, expenses were obligated in excess of appropriations by \$61,128. These obligations were paid from the subsequent year's appropriation. Article N, Section 28, Missouri Constitution provides no obligation shall be incurred unless there is an unencumbered balance in the appropriation sufficient to pay it.
- 17a. \$192,720 DMH, Sikeston Regional Center for the Developmentally Disabled (SRC) and Auxiliary Fund, two years ended June 30, 1986. Because of a delay in obtaining group home medicaid certification, the facility lost approximately \$192,720 in reimbursements.
- b. \$1,117,005 A savings of \$1,117,005 could have been realized had the DMH purchased outright, rather than lease-purchased five group homes.

- c. \$521,044 The facility requested appropriations for the operation of five group homes which were \$521,044 more than the amount actually spent. The Assistant Director of Administration said he did not know how much it would cost to operate the new group homes, so he requested everything he thought might be needed.
- Appropriations should not be requested unless the facility intends to spend the funds received for the specified purpose. Requesting unnecessary appropriations circumvents the appropriation process and deprives other state agencies from using these monies for legitimate purposes. Appropriate cost and staffing studies could have resulted in a more realistic budget request.
- d. \$150,000 During the months of April through June 1986, expenditures from CP allocations were substantially increased and clients were not billed for their portion of the cost as determined by the standards means test. As a result, the SRC paid approximately \$150,000 more than they would have had the clients' accounts been billed.
- e. \$39,000 During fiscal years 1985 and 1986, the facility contracted with three physicians to perform services at hourly rates of \$100, \$80, and \$60. The payments made to these physicians during these two years was approximately \$39,000 more than the amount that would have been paid for the same number of hours had the facility hired a physician at the highest state merit system salary including appropriate fringe benefits.
- f. \$16,860 Cash disbursement records are not reconciled to the monthly SAM expenditure reports. As a result, a posting error made to the manual disbursement record was undetected and the allocation for the group homes was overspent by \$16,860.
- 18a. \$143,923 Department of Labor (DOL) and Industrial Relations, Division of Employment Security (DES), two years ended June 30, 1986. During the two years ended June 30, 1986, DES Work Incentive Program (WIN) expenditures exceeded the allocations by \$143,923. These excess expenditures were transferred to the geographic area which had not exceeded its allocation. Transferring expenditures between fund ledgers as opposed to adjusting the allocations defeats the purposes for which the allocations were established. In addition, expenditures reported under a particular fund ledger may not reflect the total expenditures for that particular program resulting in distorted financial information being presented.

- b. \$4,755 An employee of the OA, Division of Personnel, used to coordinate job placements for applicants with the state was paid a total of \$4,755 from DES's appropriation in 1986. DES should discontinue the practice of paying another agency's employee.

- c. \$540 Due to a keypunch error that was not detected by DES because they do not have adequate control features to prevent or detect the processing of excessive WIN allowance payments, a WIN participant received and cashed a check for \$600 when she was only entitled to receive \$60. A control feature designed to halt the processing of excessive WIN allowance payments should be implemented.

- d. \$1,151,479 DES has not included \$672,673 and \$478,806 in indirect central support services cost for fiscal years 1986 and 1985, respectively, in federal grant requests. Because costs are allowable, and appear necessary and reasonable, they should be reimbursed to the state.

- 19a. \$240,977 Department of Natural Resources (DNR), two years ended June 30, 1986. All of the State Park Revenue Bond Fund reserve accounts contained a balance at June 30, 1986, greater than the aggregate amount required by the bond indentures. The transfer of the \$240,977 total excess balance to the principal and interest account would reduce the amount of operating funds required to fund principal and interest.

- b. \$125,485 Two attorneys paid \$125,485 from DNR appropriations should have been paid by the Attorney General's office.

- c. \$10,000 Construction project costs are not adequately monitored by the regional offices and the central office for unapproved project changes or unnecessary purchases. Costs estimated at \$10,000 for an addition to a supervisor's state-owned home were expended from an allocation for office expansion.

- d. \$3,500 The DNR contracted with Central Missouri State University to study the relationship between net worth and corporate failure. It appears that DNR accounting staff could have performed this study, saving \$3,500.

- e. \$30,500 The DNR, Air Conservation Commission of the state of Missouri directed that an aggregate \$30,500 in air pollution violations be distributed to private NFP associations and a university. By requiring violators to pay monies to private associations or universities in settlement of a right of action belonging to the state, the commission has in effect granted public monies to private entities, prohibited in Article III, Section 38(1a) of the Missouri Constitution.

- f. \$2,075 Residual funds of \$2,075 remaining in the hands of two former Missouri Lewis and Clark Trail Committee members should be transferred to the GRF-S.
- 20a. \$256,755 Department of Social Services (DSS), Division of Family Services (DFS), two years ended June 30, 1985. Extra postage costing \$140,000 and equipment stored in the property control warehouse with a total cost of \$116,755 were apparently purchased for the purpose of exhausting fiscal year 1985 appropriations.
- b. \$183,818 Despite its ability to verify recipient information to assure that only eligible recipients are receiving benefits, audit report revealed \$183,818 in overissuances of food stamps due to misreported recipient income.
- c. \$8,819 The DFS overpaid \$8,819 in food stamp and/or AFDC benefits during the audit period to employees who misreported their incomes.
- d. \$5,300,000 The DFS policy to maintain the highest valid supplemental payment (SP) to recipients under the DFS - Administered State Supplemental Security Income - Supplemental Payment Program violates the Section 208.030, RSMo Supp. 1984, provision to consider all other income when establishing the SP. Based on DFS's estimate that about 75 percent of recipients would be ineligible if current income were considered, approximately \$5.3 million was paid to ineligible recipients during the two years ended June 30, 1985.
- 21a. \$190,000 DMH, Office of Director, two years ended June 30, 1985. The department in an attempt to develop "a comprehensive guide for future decisions on policy, organization, programs, staff levels and facilities," contracted with a consultant to provide a master plan study at a cost of \$190,000. In its attempt to obtain a quick fix solution to a problem that will obviously take a considerable amount of concerted effort on the part of many individuals has needlessly wasted over \$190,000 in taxpayer monies and has further delayed the proper needs assessment.
- b. \$6,000,000 The DMH has not adequately developed intermediate care facility (ICF) - skilled nursing facility (SNF) placement opportunities needed to reduce state costs of caring for the long-term, chronic mentally ill. The St. Louis State Hospital alone could save the state up to an aggregate \$6 million annually by properly placing its long-term chronic care patients in ICFs and SNFs.
- c. \$18,245 The indirect cost proposal submitted by the DMH to the Department of Health and Human Services understated

allocable costs by \$18,245. The DMH should take appropriate steps to ensure all allowable indirect costs are accurately reported in the indirect cost proposal.

- d. \$1,542,520 An estimated \$1,542,520 of inpatient ancillary services remained unbilled to the Medicare Part B Program because the DMH is eighteen months behind in submitting billings.
- e. \$1,114,269 The DMH charges no interest on delinquent accounts receivable as required by Section 630.220, RSMo Supp. 1984. The department could have realized approximately \$1,114,269 had the 1.5 percent per month charge that applied to overpayment refunds also been applied to delinquent accounts, assuming all amounts were collected.
- f. \$3,593,000 By eliminating inpatient beds at the regional centers and utilizing community-based services instead, potential cost savings of \$3.3 million and estimated additional revenues of \$293,000 could be realized.
- g. \$119,712 In fiscal year 1984, the Office of Director paid \$119,712 to a consultant out of a Farmington State Hospital appropriation. Charging Office of Director invoices to an appropriation made specifically for Farmington State Hospital violates the legislative intent for those monies.
- h. \$1,240,179 The departmentwide average annual and sick leave per full-time employees (FTE) ranks second highest in a summary of twenty-one state agencies' averages. By reducing the department's fiscal year 1985 sick leave to the weighted average of hours per FTE, the DMH could have saved approximately \$1,240,179 in salary costs for time not worked.
- 22a. \$1,192 Eleventh Judicial Circuit Municipal Divisions, three years ended December 31, 1986. The city of O'Fallon Municipal Division had an apparent cash shortage of \$1,192 which should be investigated by the Court Clerk. A bond ledger should be maintained and reconciled monthly to cash.
- b. \$2,000 The O'Fallon Court Clerk's outstanding bond list as of February 20, 1987, includes cash bonds and filing fees amounting to approximately \$2,000 which apply to cases dated prior to January 1, 1986. Some of these monies are due back to defendants. A follow-up and refund to applicable persons should be performed.
- c. \$189 O'Fallon Municipal Division \$189 of checks for bond refunds outstanding more than one year should be canceled and reissued if the payees can be located. If payees cannot be located, the clerk should review the

unclaimed property act and establish disposition procedures to comply with the act.

- d. \$1,492 The city of St. Charles Municipal Division had an apparent cash shortage of \$1,492 which should be investigated by the Court Clerk. The bond ledger should be reconciled monthly to the bank balance.
- e. \$226 The city of St. Peters Municipal Division \$226 balance of old outstanding checks from a closed bank account should be canceled and checks reissued to payees who can be located. If payees cannot be located, the clerk should review the unclaimed property act and establish disposition procedures to comply with the act.
- 23a. \$942,418 Department of Highway and Transportation, year ended June 30, 1986. Effective January 1, 1987, the Department of Highway and Transportation became self-insured for both vehicle liability and workers' compensation. OA, Division of General Services risk management representatives estimate the first three years cost to the department will be \$1,319,280 while the same coverage using the OA-risk management system would be approximately \$376,862.
- b. \$2,452,050 Several inventory items with values totaling \$2,452,050 appear to be overstocked. This includes a 2.4 years supply of impact attenuator devices, a 13.6 years supply of aluminum bridge posts, a three-year supply of steel channel posts, and other items, each with greater than 2.8 years supply in inventory. Maintaining excess inventories not only incurs storage costs but represents monies that could have been used for other purposes.
- c. \$6,054 The Federal Highway Administration process review and evaluation of appraisal and appraisal review activities conclude that a portion of the department appraisal program was not in compliance with certain federal requirements and declared \$6,054 of appraisal costs ineligible for federal participation due to inadequacies in the appraisals. The department should increase efforts to comply with federal regulations.
- d. \$850,000 As noted in our last report, state subsidized operation of credit unions in the department's headquarters and in each of ten districts is estimated to cost as much as \$850,000 annually. These subsidies appear to be, in effect, a grant of public money or property to a private person, association, or corporation, prohibited by Article III, Section 38(a) of the Missouri Constitution.
- e. \$12,000 Permit deposit receipts are not banked, losing an estimated \$12,000 to \$17,000 in interest earnings during the 1986 fiscal year.

- f. \$291,043 Expenses incurred prior to June 30, 1986, totaling \$291,043 were paid from fiscal year 1987 appropriations. Expenditures should be charged to the proper fiscal year's appropriations to fairly state agency financial activity.
24. \$275 Thirty-Second Judicial Circuit Municipal Divisions, three years ended 1987. The city of Jackson Municipal Division had four open bonds totaling \$275 which had been held from eighteen months to over three years after case disposition for which the payees could not be located. The clerk should review the unclaimed property act and establish disposition procedures that comply with the act.
- 25a. \$21,119 Department of Revenue, Division of Taxation, State Sales and Use Taxes and Local Sales Taxes, three years ended June 30, 1987. The department failed to assess, in accordance with Section 144.081, RSMo 1986, penalties of \$21,119 to weekly filers.
- b. \$1,926,141 There appears to be an excess of \$1,926,141 which cannot be identified with specific liabilities in the Business Tax Bureau's (BTB) protested sales taxes account. The BTB should periodically reconcile these accounts to assets and department should determine the actual protested tax liability outstanding and transfer any excess monies to the appropriate funds.
- c. \$109,500 Of the 165 local sales taxes enacted during fiscal years 1987, 1986, and 1985, seven appear to have taken effect earlier than allowed by state statute, resulting in approximately \$1.3 million being collected inappropriately. One tax took effect three month's later than allowed by statute, resulting in the loss of \$109,500 in revenue.
- 26a. \$102,000 Department of Public Safety (DPS), Missouri State Highway Patrol (MSHP), three years ended June 30, 1986. It appears that state taxpayers subsidized meal costs to individuals other than recruits at the MSHP Academy by approximately \$102,000, in violation of Section 590.145, RSMo 1986.
- b. \$35,530 As noted in our prior report, the patrol operates break rooms for the convenience of its employees at both the General Headquarters (GHQ) Building and the GHQ Annex. It appears the break room is very uneconomical, since the \$35,998 labor cost (paid by the state) and the \$37,960 food cost total \$73,958, which is \$35,530 more than total sales. It appears that state funds could be saved by eliminating the staffing for the break rooms and installing vending machines, or increasing prices to allow employees to be paid directly from the Canteen Fund or

to allow the fund to reimburse the state for payroll and fringe benefits.

- c. \$2,590 Placement of two photocopiers which cost \$2,590 at troop headquarters appears to violate the approved budget and constitutes noncompliance with federal grant requirements.

- 27a. \$646 Twenty-First Judicial Circuit Municipal Divisions, three years ended 1986. At December 31, 1986, the city of Ballwin Municipal Division had six bonds totaling \$646 dated from six or more years before. Some of these monies are due back to defendants. The clerk should review the unclaimed property act and establish disposition procedures which comply with the act.

- b. \$155 The city of Ellisville Municipal Division had, as of December 31, 1986, a bond refund check for \$30 outstanding since 1985, and a cash bond of \$125 which is due back to the defendant. The clerk should review the unclaimed property act and establish disposition procedures which comply with the act.

- c. \$682 An apparent shortage of \$682 in the bond bank account of the city of Fenton Municipal Division should be investigated by the clerk and monthly reconciliations of liabilities and the bank balance prepared.

- d. \$9,010 The city of Florissant Municipal Division had held \$9,010 in cash bonds for at least one year. Refunds should be made to payees who can be identified and located. The clerk should review the unclaimed property act and establish disposition procedures that comply with the act.

- e. \$18,200 In response to a petition by residents of the city of Moline Acres, the State Auditor's office conducted an audit for the year ended December 13, 1985. During this audit, we determined the total of court receipt slips issued exceeded the amount of court monies deposited in the city's general revenue account by over \$18,200 for the two years ended December 31, 1986. It appears highly possible that some of these monies may have been stolen, and the municipal division was advised to consult with the city attorney regarding this matter.

- f. \$685 The city of Sunset Hills Municipal Division had five cash bonds totaling \$685 which were over one year old. Refunds should be made to payees who can be identified and located. The clerk should review the unclaimed property act and establish disposition procedures which comply with the act.

28. \$380 Board of Public Buildings (BPB), State Office Building Fund, two years ended June 30, 1987. An apparent shortage of \$380 existed in the Kansas City State Office Building (KCSOB) parking lot fee collections. Although the discrepancies were investigated, the OA was unable to obtain enough information to initiate any prosecution.
- 29a. \$3,508,000 DMH Bellefontaine Habilitation Center (BHC) and Auxiliary Funds, two years ended June 30, 1987. As a result of bed decertification the BHC lost \$3 million in medicaid reimbursements from July 1985 through May 1986. An additional \$508,000 was lost by December 1987 because of untimely delays in meeting certification requirements. The BHC and DMH should ensure that all beds, where cost justified, are certified on a timely basis.
- b. \$59,982 Except for three hours worked on weekend days, physicians received compensatory time for "on call" hours whether or not they actually worked at the facility. This resulted in an additional labor cost of \$59,982 for the facility during fiscal years 1987 and 1986. It is not proper for employees to be compensated for hours not worked.
- c. \$7,000 The heat may have been left on in an apartment building after the facility stopped housing clients there, resulting in \$7,000 of unnecessary utility costs.
- d. \$4,900 During the fall of 1985, facility expended approximately \$4,900 from the North County Industries (NCI) Fund to pay programming expenses rather than direct operating costs of NCI. This represents a violation of Section 630.340, RSMo 1986, and a diversion of monies from the GRF-S.
30. \$154 Department of Economic Development, Office of the Public Counsel, two years ended June 30, 1987. Had employees traveled to the same destination in one vehicle instead of three, approximately \$154 in travel reimbursements could have been saved.
- 31a. \$94,364 Twenty-Third Judicial Circuit Jefferson County, Associate Circuit Court - Division II, two years ended December 31, 1987. The division had a total cash shortage of \$94,364. This included \$89,550 missing traffic ticket monies, \$4,566 missing cash bond monies, and a \$248 imprest cash shortage. These shortages went undetected throughout the audit period due to numerous internal control weaknesses, including a lack of segregation of duties, little or no independent reviews, failure to deposit intact and on a timely basis, and failure to reconcile the disposition information recorded on the computer with actual cash receipts. Evidence of potential criminal wrongdoing obtained through our audit

has been turned over to the Jefferson County Prosecuting Attorney's office.

- b. \$1,200 Recorded receipts of \$1,200 were not deposited. Division personnel could not determine if the monies were lost or stolen. Replacement payments were requested from the applicable defendants. Procedures to ensure security of official monies should be implemented.
- c. \$3,622 The division is holding \$3,622 in bonds over two years old. A follow up should be performed and the bonds refunded or forfeited. Any unclaimed bond monies should be turned over to the state in compliance with Chapter 447, RSMo 1986.
- 32a. \$100,000 DMH, Springfield Regional Center (SRC) for the Developmentally Disabled and Auxiliary Fund, two years ended June 30, 1987. The facility should consider closing its eight-bed residential unit which costs approximately \$280,000 annually to operate. Based on cost data presented in a DMH study, savings in excess of \$100,000 annually could be achieved if other alternatives were chosen.
- b. \$74,000 Two CP facilities had annual lease costs which exceeded standard lease rates as realtors quoted by \$18,000 and \$19,000, respectively. During the two years under audit, this totaled approximately \$74,000. Without supporting documentation to the contrary, it would appear the annual lease costs of these two CP facilities are unreasonable and unjustified.
- c. \$1,911 The facility contracts with a local restaurant to provide meals for clients in its eight-bed residential unit. The contract specifies that the restaurant is to be paid \$80 per day to provide twenty-four meal trays (eight clients times three meals). This computes to approximately \$3.33 per meal. However, the restaurant is paid \$80 per day regardless of how many meals are actually delivered, resulting in a much higher cost per meal when the client census is low. This inequity was most evident in April 1987, when there was an average of less than two patients per day in the residential unit. Although the restaurant was paid \$2,400 (\$80 times 30 days), only 147 meals were provided. The price per meal computes to \$16.33 per meal, totaling \$1,911 more than if the meals had cost \$3.33 each.
- d. \$107 Two separate purchase orders totaling \$107 were issued to the same vendor on the same day for similar items, apparently to avoid competitive bidding requirements.

- 33a. \$520 Thirty-Fifth Judicial Circuit Municipal Divisions, three years ended 1987. At June 30, 1987, the city of Kennett Municipal Division Restitution Account held \$520 that could not be identified with specific cases. Restitution monies should be paid out promptly upon receipt by the court. Payments should be made to those persons who can be identified and located. The clerk should review the unclaimed property act and establish disposition procedures that comply with the act.
- b. \$52,103 Approximately one-third, or \$52,103 of the city of Kennett Municipal Division fines and court costs assessed were never paid. While some uncollected monies reflect a defendant's inability to pay, it appears the court's collection procedures allow many defendants to avoid payments, creating an inequity for those citizens who are paying fines and court costs due and representing a loss of revenue. Appropriate collection procedures should be established.
- c. \$29,300 The city of Malden Municipal Division had approximately \$29,300 in court fines and costs due at November 1987. Reminder letters had not been sent out for approximately ten months and no written or signed payment agreement is obtained from defendant's who pay fines and costs over an extended period of time. To ensure complete collection, appropriate procedures should be established for delinquent and extended payments.
- d. \$6,600 As of December 1987, approximately \$6,600 in fines and court costs was due to the city of Senath Municipal Division. It is the municipal division's responsibility to institute procedures to maximize collections of amounts owed.
- 34a. \$33,390 Department of Health (DOH), two years ended June 30, 1987. At June 30, 1987, there were approximately \$33,390 in uncollected laboratory fees. The DOH needs to implement adequate follow-up procedures for past-due account collection.
- b. \$221,047 During the two years ended June 30, 1987, \$221,047 of refunds were deposited into the Missouri Crippled Children's Service (CCS) Fund, but it appears highly unlikely that the majority of these refunds were for expenditures paid out of the CCS Fund. The DOH practice of depositing reimbursements to the CCS Fund has deprived the GRF-S the use of these funds.
35. \$107,444 Public Defender Commission (PDC) two years ended June 30, 1987. Overobligated funds of \$50,895 and \$56,549 for fiscal years 1987 and 1986, respectively, were paid from subsequent years' appropriations, in violation of both Missouri Statute and Constitution. The

PDC should monitor current operations and make appropriate adjustments that will allow them to operate within their available resources.

36. \$20,546 Department of Economic Development - Division of Tourism, two years ended June 30, 1987. The division did not request bids for shipping services costing \$14,588 and \$5,958 in fiscal years 1987 and 1986, respectively.
37. \$9,500 General Assembly and Supporting Functions, Committee on Legislative Research and Interim Committees, two years ended June 30, 1987. The Committee on Legislative Research minutes on January 12, 1988, indicate an employee of the Oversight Division was to be terminated as of February 12, 1988. However, this individual was still on the payroll as of June 1, 1988, and had been paid \$9,500 from February 12 through May 31 of 1988. Committee minutes do not document any decision to continue paying this employee. All activities and decisions should be documented in the minutes.
- 38a. \$400,000 Department of Social Services, Division of Family Services (DFS), two years ended June 30, 1987. It appears that the DFS charged expenditures of \$400,000 relating to subsequent fiscal years to fiscal year 1987 appropriations. This circumvents the appropriations process and results in misstating both program and division operating costs.
- b. \$7,023 Six "talking" cash registers costing \$7,023 had not been placed in service almost two years after their purchase. The purchase of equipment prior to assessing its need is not indicative of prudent fiscal management. The department should establish need prior to purchase of equipment.
- c. \$155,000 The DFS failed to perform the procedures necessary to complete the application process for DMH patients, resulting in the state losing potential net medicaid revenues of up to \$155,000.
39. \$18,544 Department of Social Services (DSS), Departmental Administration, two years ended June 30, 1987. The department's Division of Data Processing (DDP) failed to bill the Department of Corrections and Human Resources for all data processing services provided, resulting in revenues of \$4,036 not being collected. The Audit Services Section, due to a calculation error, underbilled the various programs \$14,508 during fiscal year 1987.
40. \$12,760 Twenty-First Judicial Circuit, Municipal Divisions, three years ended April 30, March 31, and February 28, 1987.

The city of Jennings Municipal Division had cash bonds totaling \$10,885, and the city of Olivette Municipal Division had cash bonds totaling \$1,875, which are due back to defendants. Refunds should be made to those persons who can be identified and located. The division clerks should review the unclaimed property act and establish disposition procedures which comply with the act for any unclaimed monies.

- 41. \$10,000 Missouri Horse Racing Commission (MHRC), two years ended June 30, 1987, and the period March 27, 1985, through June 30, 1985. A terminated employee was paid over \$10,000 in salary and fringe benefits for time he did not work and for which he had no accumulated annual leave. The MHRC should verify employment records before issuing payroll checks.

- 42a. \$116,000 DMH Mid-Missouri Mental Health Center (MMMHC) and Auxiliary Fund, two years ended June 30, 1987. Based on a 1974 agreement, MMMHC purchases certain services from the University of Missouri Hospital. It appears that over \$116,000 in excessive utility costs were paid during the audit period. No arrangements have been made for reimbursement to MMMHC of costs amounting to \$50,749 in fiscal year 1987 for space and utilities it provided to the university cafeteria operation.

- b. \$3,750 MMMHC services at satellite clinics overpaid the university \$3,750 for hours of service billed but not worked.

- c. \$6,000 During the audit period the facility expended \$97,000 under a comprehensive clinical laboratory contract without adequate controls to monitor contract compliance necessary to safeguard against possible abuses of state funds. They also paid \$6,000 under contract for unnecessary dictating equipment maintenance. Need should be established before entering contract agreements.

- d. \$58,872 During fiscal year 1987, the facility spent approximately \$58,872 for personal service and related benefits to staff the inventory storeroom. Given the duplicative operations of the facility and the university, this appears to be a waste of state funds.

- 43. \$464,671 Department of Social Services (DSS), Division of Aging, two years ended June 30, 1987. During the years ended June 30, 1987 and 1986, the agency overobligated appropriations from the GRF-S by \$260,328 and \$204,343. These amounts were paid from the subsequent year's appropriation in violation of Article IV, Section 28, Missouri Constitution and Section 33.030, RSMo 1986.

- 44a. \$18,140 DMH, Office of Director two years ended June 30, 1987. Recent capital improvements budget requests for DMH operating facilities amounting to \$9.9 million have not been adequately justified through preparation of required detailed feasibility studies, a residential treatment center was leased at a cost of \$1,040,0900 for the audit period for which no feasibility study was performed, and \$18,140 was spent for the audit period to lease office space for regional employees when office space was available at DMH state-owned facilities.
- b. \$29,593 The DMH entered two contracts during the audit period to assist in modifying the CP management information system. Although the first contractor did not adequately comply with the terms of the contract, the DMH paid the contractor \$34,064. The second contractor was paid \$29,593 to perform the uncompleted services of the first contractor resulting in the DMH paying twice for the same services. Payments should not be made until compliance with contract terms has been determined.
- c. \$4,000,000 The DMH is losing approximately \$2 million annually (or \$4 million for the audit period) in medicaid reimbursements because clients are being treated in the improper facilities. Efforts should be made to maximize medicaid reimbursements by proper client placement.
- d. \$1,500,000 Due to inadequate guidance and monitoring by the DMH central office, over \$1.5 million in medicaid revenues have been lost by the regional centers. Adequate guidelines and training should be provided to the regional centers by the DMH.
- e. \$30,000 The DMH spent \$30,000 during the audit period to contract with law students to perform services that apparently could be provided by resource investigators already employed by the DMH.
- 45a. \$189,869 General Assembly and Supporting Functions, Senate, two years ended June 30, 1987. The Senate made purchases totaling \$189,869 either without soliciting or without properly documenting bids.
- b. \$54,860 During fiscal years 1988, 1987, and 1986, various Senators' personal staff received payments, in addition to the regular payroll, totaling \$17,305, \$22,510, and \$15,043, respectively. No written documentation supported additional payments for fiscal years 1987 and 1986. Fiscal year 1988 payments were coded as overtime, but no documentation existed for any additional hours worked.
- 46a. \$18,090 Division of Job Development and Training (DJDT), two years ended June 30, 1987. The agency has not

recovered \$18,090 in property held by former subgrantees.

- b. \$5,120 The agency spent \$5,120 to rent warehouse space for unused or unusable equipment during the two years ended June 30, 1987.
- 47a. \$15,060 Seventh Judicial Circuit, Clay County, two years ended December 31, 1987. The balance of the savings account maintained for unclaimed child support monies was \$15,060 at December 31, 1987. A detailed listing by case should be reconciled to the account balance monthly to allow for proper follow-up in locating recipients and to maintain proper controls. The clerk should review the unclaimed property act and establish disposition procedures that comply with the act for amounts when the payee cannot be located.
- b. \$92,301 Purchases totaling \$92,301 had no documentation of bids haven been solicited.
- c. \$115 A former Circuit Clerk purchased \$115 of items such as bakery goods and six poinsettias that do not appear to be allowable office expenses.
- 48a. \$125,000 Department of Social Services (DSS), Division of Medical Services, two years ended June 30, 1987. It appears the state could qualify for higher reimbursement rates amounting to \$125,000 to \$200,000 more annually simply by moving the Fraud Investigation Section to an element of state government independent from the DSS. The DSS should investigate this matter.
- b. \$50,000 If fourteen medical consultants were put on the payroll as part-time employees instead of on contract basis, it appears they would meet the federal criteria for a higher reimbursement rate and the state could have received approximately \$50,000 more in federal reimbursements during the audit period.

Audit Savings & Misuse Report
Special Review Audits Delivered in Calendar Year 1988

	Should Have Been Saved, Earned or Available for Use	Misused or Improperly Spent
	<hr/>	<hr/>
1. Department of Mental Health official given preferential treatment	\$41,139	
2. City of St. Louis Retirement System	\$730,000	
Retirement System	\$135,118	
Retirement System		\$16,676
Retirement System	\$200,000	
Retirement System	\$1,000,000	
Retirement System	\$60,000	
Retirement System	\$30,000	
Retirement System		\$58,785
Retirement System		\$21,804
Retirement System	\$30,000	
3. Desegregation Payments to St. Louis City and County School Districts	\$31,486	
Desegregation Payments		\$75,599
Desegregation Payments		\$150
Desegregation Payments		\$4,921
4. Farmington Fee Office, Department of Revenue, Division of Motor Vehicle and Drivers Licensing	\$34,784	
5. Desegregation Payments to Kansas City School District	\$668,501	
Desegregation Payments		\$281,643
Desegregation Payments		\$113,394
Desegregation Payments		\$301,725
Desegregation Payments		\$390,000
	-----	-----
TOTAL	<u>\$2,961,028</u>	<u>\$1,264,697</u>

1988 Annual Report
Summary Explanations
Special Reviews

- | | | |
|-----|-------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | \$41,139 | <u>Department of Mental Health (DMH) Official Given Preferential Treatment</u> , Special Review. In apparent violation of Chapter 630, RSMo 1986, a DMH official who should have contributed approximately \$41,139 was charged nothing for services provided to a dependent child. |
| 2a. | \$730,000 | <u>City of St. Louis Retirement Systems</u> , Special Review. The St. Louis Employee's Retirement System (ERS) Board of Trustees divided the investment portfolio among multiple money managers which resulted in the system paying \$730,000 more in management fees and additional costs to receive roughly the same return on their investment. The board should evaluate the cost effectiveness of the use of multiple money managers and should obtain performance evaluations of the money managers from someone independent of the investment decisions. |
| b. | \$135,118 | The ERS board spent approximately \$135,118 more in higher fees paid to one money manager during 1985 and 1986 to obtain roughly the same investment return on monies managed by the individual. The board should establish procedures to ensure any additional money management fees result in increased benefits to the system. |
| c. | \$16,676 | No evidence could be found that bids were solicited for several purchases including accounting software, a copier, room partitions and office carpeting, totaling \$16,676. |
| d. | \$200,000 | The ERS Board of Trustees would not have needed to spend \$200,000 per year in investment management fees and could have also substantially increased investment earnings by simply revising their investment policy sooner rather than hiring two additional money managers. The board should evaluate the cost versus the benefit of using multiple money managers and document all relevant factors used in this determination. |
| e. | \$1,000,000 | ERS investment returns were on the average of 1 percentage point below the standard rate of return. With over \$100 million invested, this represents investment returns of \$1 million the system could have earned. |
| f. | \$60,000 | Using a preferred broker with higher execution commissions resulted in approximately \$60,000 excess commission costs to the ERS. The former ERS |

Executive Secretary who instructed the money manager to favor the brokerage house has been indicted by a federal grand jury.

- g. \$30,000 Disability benefits paid by the ERS would have been approximately \$30,000 less if the board had properly monitored recipient income.
- h. \$58,785 The ERS administrative expenditures for the fiscal year ended April 30, 1986, exceeded the Board of Trustees' approved budget amount by \$58,785. By allowing expenditures to exceed the board-approved budget, the ERS has expended funds that did not receive the proper scrutiny of the board.
- i. \$21,804 The ERS purchased a microcomputer and miscellaneous furniture costing a total of \$21,804 without soliciting bids.
- j. \$30,000 Ten PRS disability beneficiaries had earnings in excess of the statutory limit. The PRS, by requiring earnings statements verification, could have reduced benefit payments to ineligible recipients by approximately \$30,000 per year.
- 3a. \$31,486 Desegregation Payments to St. Louis City and County School Districts, Special Review. In violation of court ruling, the district has received reimbursement funding from both the early Childhood Development Program and the metropolitan desegregation settlement plan. The state's share of these double-funded expenditures was \$31,486.
- b. \$75,599 The district purchased equipment items which were not necessary to fulfill the objectives of the desegregation plan, were not budgeted, or exceeded approved amounts. The state's share of these questioned expenditures was \$75,599.
- c. \$150 While at a Chicago Convention, students and their teacher/chaperone attended a play and dinner show, for which the teacher was reimbursed. This expenditure appears to be solely for entertainment and not related to the purpose of the trip. The state's portion of this expenditure was \$150.
- d. \$4,921 The district charged desegregation expenditures for personnel costs at two locations which exceeded the authorized number of full-time employees. The state's share of these expenditures was \$4,921.

4. \$34,784 Farmington Fee Office, Department of Revenue, Division of Motor Vehicle and Drivers Licensing, Special Review. During the period August 1, 1986, to July 31, 1987, approximately \$90,135 was received by the office which was not deposited or transmitted to the state treasurer upon receipt. Some of these monies were transmitted one to three months after receipt through a lapping scheme. As a result, a net shortage of \$34,784 was never transmitted to the State Treasurer. The DOR should seek reimbursement from the fee agent and his bonding company.
- 5a. \$668,501 Desegregation Payments to Kansas City School District, Special Review. The inclusion of some desegregation transportation costs which had already been reimbursed in the calculation of the district's regular state transportation aid under the statutory formula resulted in \$668,501 of duplicate state reimbursements to the Kansas City Missouri School District (KCMSD) in excess of the statutorily correct amount.
- b. \$281,643 The state-paid portion of capital improvement projects which were improperly bid was \$281,643.
- c. \$113,394 KCMSD expenditures for fiscal years 1986 and 1987 exceeded amounts authorized by the U.S. District Court by \$113,394.
- d. \$301,725 The court-ordered funding formula for the Effective Schools Program did not provide funding for administrative costs, which were \$132,461. Additional costs charged to the program which were not allocated and not spent in compliance with the court order during the year ended June 30, 1987, were \$169,264.
- e. \$390,000 KCMSD modifies budget components without court approval of the state's concurrence. In May 1987, the district reallocated \$275,000 within the triple A achievement-library budget. They continue to spend desegregation funds approved for year one (school year 1985 though 1986) in year three of the desegregation effort by using \$115,000 of encumbrances against the first year's budget for purchases which have not yet been received. KCMSD should seek approval for budget modifications.

Audit Savings and Misuse Report
Counties and Petition Audits Delivered in 1988

Items not bid	\$3,385,247
Expenditures not in accordance with laws	\$10,587,842
Amounts due to other political subdivisions	\$2,729,360
Amounts not in proper fund	\$3,396,545
Excessive property taxes collected	\$381,517
Amounts due from other political subdivisions	\$318,889
Improper collectors' commissions and salary	
overpayments to other officials	\$110,142
Failure to recover costs	\$281,659
Interest income that should have been earned	
or made available	\$270,412
Miscellaneous other categories	<u>\$1,726,308</u>
TOTAL	<u><u>\$23,187,921</u></u>

MISSOURI 3RD AND 4TH CLASS COUNTIES
TYPICAL AUDIT FINDINGS

1. Assessment Fund-Operating and Equalization

Funding requirements established by statutes were not always in agreement with how the various counties actually funded the Assessment Fund.

2. Associate Division Clerk's Accounting Controls

Various associate division clerks did not make bank deposits on a timely basis, did not prepare bank reconciliations, and were not reconciling cash balances to a listing of liabilities to prove the accuracy of their records.

3. Bidding Procedures

Various counties did not bid purchases in accordance with Missouri law or did not document their actions in obtaining bids.

4. Budgetary Practices and Financial Position

Various counties had errors in the prior year's financial data presented in their budget document. Some counties distorted their anticipated financial position by not showing all available resources at the beginning of the year, or by underestimating revenues or overestimating expenditures.

5. Circuit Clerk's Accounting Controls

Various circuit clerks did not make bank deposits on a timely basis, did not prepare bank reconciliations, and were not reconciling cash balances to a listing of liabilities to prove the accuracy of their records.

6. Collateral Security for County Bank Deposits

Counties did not require depository banks to pledge the amount of collateral security required by Missouri law.

7. Controls over Usage of Fuels and Lubricants

Procedures were not in effect to safeguard stored fuels and lubricants. Reconciliations between purchases and usage of fuels were not performed.

8. County Clerk's Accounting Controls

Warrants issued were not always reconciled to warrants paid. Documentation for payments was not always present. Receipt of goods was not always noted on invoices.

9. County Collector's and Ex Officio County Collector's Procedures

Various collectors did not provide all required information on their annual settlements. They did not reconcile bank records to monthly statements

of collections. They did not keep accurate daily receipt ledgers. They did not invest tax collections while in their custody.

10. County Investments

Some county investments were made at lower than the best available interest rate. Record keeping for investments purchases and redeemed needed improvement.

11. County Property Records

Several counties did not keep a complete inventory of county real and personal property, and others did not update existing records on a current basis.

12. Financial Condition

The financial condition of various counties has declined over the past few years due to decreases in revenues and increases in operating expenses.

13. Personnel Records

Some counties did not have written personnel policies. Many did not monitor annual and sick leave earned and taken. Additionally, various counties did not maintain adequate records to support overtime in compliance with the Fair Labor Standards Act (FLSA). Adequate and complete personnel files were not always maintained.

14. Proposition C

Various county collectors miscalculated the required adjustments allowed by Proposition C as they related to commissions and the Assessment Fund.

15. Public Administrator's Settlements

Settlements were not always filed as required by Missouri law and some did not include all necessary information. Supporting documentation of settlement transactions was not available in some cases.

16. Sheltered Workshop

Various county sheltered workshops did not maintain written contracts with the not-for-profit corporations from which services were obtained.

17. Sheriff's Accounting Controls, Mileage Procedures, and Board of Prisoners

Various sheriffs did not make bank deposits on a timely basis, did not prepare bank reconciliations, and were not reconciling cash balances to a listing of liabilities to prove the accuracy of their records.

Documentation of mileage claims was not always present and mileage procedures were not always in accordance with Missouri law. Expenditures made for board of prisoners were not always adequately documented.

1988 Annual Report
Other Significant Audit Findings

An overall evaluation of 1988 audit findings indicates that in almost all audits we found some weaknesses in internal controls or instances of noncompliance with federal, state, or department regulations which adversely affect the economical, efficient, and effective operation of entities. We repeatedly found instances of poor or nonexistent documentation and monitoring procedures, circumvention of the appropriations process, improper or incomplete procedures for bidding and record keeping, vehicle usage that indicates underutilization or excessive personal use, and failure to earn potential interest income, to seek available reimbursements, to perform physical inventories, and to perform cost-benefit, needs assessment, or feasibility studies, among other things. However, not all significant findings and recommendations contained in the State Auditor's reports are measurable in terms of dollar impact. The following is a summary of some other major findings:

The State Milk Board (SMB) indicated during our fiscal year 1987 audit that it has been unable to obtain funding that would allow it to implement an adequate pesticide and bacteria testing program for raw manufacturing milk and finished products like cheese and butter as was recommended in our last report. The SMB is encouraged to continue to seek funding for this vital program.

The Department of Mental Health regional facilities spend large portions of their total operating expenses for personal service and related employee benefits costs.

Examples are the Western Missouri Mental Health Center and the Mid-Missouri Mental Health Center which expended \$24,462,522 (62 percent of total operating expenses) and \$14,655,600 (81 percent of total operating expenses), respectively, over two fiscal years for employee costs. As we have previously noted, procedures have not been developed to adequately account for employees' time or to assure the most effective use of this resource. We again recommend the DMH and applicable facilities perform a cost-benefit study to determine the feasibility of implementing procedures to ensure productivity of facility staff.

Most of the county and municipal divisions of the Judicial Circuits lacked adequate internal controls and failed to maintain accurate and complete records. Some of the most frequently recommended procedures are: deposits of cash should be made daily or when accumulated receipts exceed \$100. Monthly listings of liabilities (open-items) should be prepared, bond ledgers maintained, and monthly reconciliations to cash balances performed. Employees should be bonded in amounts equal to the amounts of cash they handle or are responsible for. Duties for custody of cash and other assets and duties for record keeping should not be given to the same employee. Reviews of records by supervisory personnel should be performed on a regular basis. Old outstanding checks should be canceled and reissued to payees who can be identified and located. Unidentified or unclaimed monies should be turned over to the Unclaimed Fees Fund or the clerk should review the unclaimed property act and establish disposition procedures that comply with the act as appropriate. To safeguard court-collected monies and ensure property maintained records, the judicial circuit courts should implement these and other recommended controls.

The Department of Revenue Division of Taxation Delinquent Taxes Bureau (DTB) maintains seven field offices outside Jefferson City which collect over \$20 million per year. Currently, daily receipts are mailed to the Jefferson City office. We recommend the DTB establish a more secure and timely method of transmitting money from the field offices to the Jefferson City DTB office. In our test of accounts referred to outside collection agencies by the DTB, which totaled \$5,653,500 at June 30, 1986, 44 percent of accounts tested were referred before any DTB collection efforts had been applied to the accounts. As a result, the DTB may be paying collection fees which could have been retained by the state. Also, the DTB does not maintain a listing of accounts referred to each collection agency, which could allow the collection agency to collect an account and keep the funds without the DTB discovering the misappropriation. We recommend the DTB attempt collection before referring accounts to outside collection agencies and prepare a listing and periodic reconciliations of referred accounts.

Our audit of the Department of Economic Development Missouri Division of Insurance (MDI) for the two years ended June 30, 1986, revealed that wording problems and some misleading information in the fiscal note may have contributed to the defeat of legislation introduced during the 1986 legislative session which would have provided all examiners of the MDI be placed on the state payroll system and all examination costs be reimbursed through the state accounting system from the General Revenue Fund-State. If an accurate fiscal note had been prepared, it would have projected no cost to the state rather than the projected \$1,432,996. We recommend the division seek legislation to place examiners on the state payroll system. The division should ensure proper and accurate cost information is provided to the legislature in the fiscal note.

The Department of Agriculture (DOA) conducts audits of grain warehouses, of the fourteen audits we reviewed, thirteen disclosed discrepancies such as grain shortages, inaccurate or inadequate record keeping, and grain infestation. However, the DOA does not follow-up on warehouse responses until the subsequent audit, which could allow a warehouse in severe financial trouble to continue to operate or prevent the DOA from discovering improper acts. We recommend the DOA follow-up on discrepancies as soon as possible after receiving the warehouse's responses to ensure that problems have been resolved.

The Department of Natural Resources (DNR) collected over \$6.5 million and \$5.8 million during the two years ended June 30, 1986. We noted numerous weaknesses in the cash receipts procedures of various divisions. With the existence of these weaknesses, there is less assurance receipts are properly deposited or refunded and that receipts are properly accounted for and recorded. We recommend the DNR investigate the possibility of establishing a central receiving location that will account for all revenues collected by the various divisions. While the cash receipts function remains at the division level, adequate procedures should be implemented to prevent the loss or misuse of receipts. Although we have noted in our prior five reports covering more than ten years problems concerning the accountability and control of the DNR's nonexpendable property, and each time the department has agreed and indicated improvements would be made, the DNR's records and controls concerning nonexpendable property have not improved significantly. A review of their master inventory listing for June 30, 1986, indicated the subtotals by type of

property differed from the grand total of equipment and furniture by over \$10 million. Considering the balance per the master inventory listing was approximately \$11.1 million. The aforementioned difference is significant. This and other weakness lead us to again recommend the DNR implement procedures and maintain records to adequately account for all nonexpendable property in accordance with 15 CSR 40-2.031 and applicable federal regulations.

The Division of Family Services (DFS) claims and restitution unit (CRU) of the Division of Social Services (DOSS) uses a computer system called the claims accounting restitution system (CARS) to assist the DOSS in recovering benefits paid to ineligible individuals. Outstanding claims (overpayments) at June 30, 1985, per CARS totaled \$23,374,936. It is questionable whether DFS is complying with the federal regulation which requires prompt recovery of claims. DFS does not maintain adequate documentation in case files, nor does the CRU effectively monitor and follow-up on delinquent claims. Although Section 143.783, RSMo Supp. 1984, authorizes any state agency to certify delinquent accounts in excess of \$25 to the Department of Revenue, DFS has not done so for approximately three years. We recommend the DFS take steps to correct these and other weaknesses in the CARS system to maximize collection of outstanding claims and to comply with federal regulations.

The Board of Public Buildings (BPB) is required by Section 902 of the bond resolution to carry insurance against loss of use and occupancy, and against damage by fire, windstorm, or other calamity, in an amount at least equal to the cost of the completed building, less reasonable depreciation. The resolution states that the maximum depreciation allowed shall be equal to the amount of bonds which have been retired. We found underinsured amounts totaling approximately \$80,516,647 during our audit. We recommend the BPB provide insurance coverage in amounts equal to that required by the bond authorizing resolution. This could best be provided by a periodic review by the board of the insurance coverage.

A special review of the City of St. Louis Retirement Systems included our review of the firemen's retirement system (FRS) and the police retirement system (PRS) of the city of St. Louis. While these two systems operate independently of one another, neither of their management structures is conducive to providing an effective and efficient management system. With net assets at the beginning of fiscal year 1986 of \$140,985,315 (unaudited) for the FRS, and \$229,587,656 (unaudited) for the PRS, it is critical that these systems operate effectively and efficiently. We recommend that Board of Trustees of both the FRS and PRS evaluate their current management structure and consider the addition of a professional chief executive officer to the staff of their respective systems.